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Budgetary Impact of Non-Project Assistance in the Education Sector

A Review of Benin, Ghana, Guinea, and Malawi

Joseph DeStefano
Karen Tietjen

Health and Human Resources Analysis for Africa

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Foreword

In 1993, the Africa Bureau of USAID launched an examination and analysis of the operations and impact of its new approach to educational development in Africa, four years after the initiation of the first of its 12 new education programs. A notable and controversial component of its education sector support approach was the use of non-project assistance (NPA), in which funds are disbursed to governments upon fulfillment of mututally agreed to performance conditions. A major policy objective of many of the national education reform programs supported by USAID is resource reallocation to and within the education sector.

This paper represents an initial and early attempt to discern the financial and budgetary impact of non-project assistance in the education sector in sub-Saharan Africa, and to discuss some of the operational and sustainability implications of its use. At the time of the writing, only preliminary data was available for four programs. As more data and experience was amassed on other programs, our understanding of the NPA modality has deepened, as reflected in a more recently written publication *Basic Education in Africa: USAID's Approach to Sustainable Reform in the 1990s* (1995). Consequently, the reader is cautioned that not all the issues raised and examined here represent the Agency's most current understanding of NPA. Nonetheless, this document may be useful to the reader interested in NPA because it delineates many of the questions raised about its effectiveness.

—Julie Owen-Rea
Office of Sustainable Development
Division of Human Resources and Democracy

Glossary of Acronyms and Abbreviations

CLEF	Childrens' Learning and Equity Foundations (Benin)
DFA	Development Fund for Africa
FCFA	Franc de la Communauté Financière en Afrique
GABLE	Girls' Attainment in Basic Literacy and Education (Malawi)
GNF	Franc Guinéen
IDA	International Development Agency
IMF	International Monetary Fund
NPA	Non-Project Assistance
PASE	Programme d'Ajustement Sectoriel d'Education (Guinea)
PREP	Primary Education Program (Ghana)
USAID	United States Agency for International Development

1. Introduction

This paper analyzes the budgetary impact of four USAID non-project assistance (NPA) education programs in sub-Saharan Africa. Though reform programs assisted by USAID in Africa cover a range of education sector issues, this paper examines only the financial and budgetary aspects of education sector reform in four countries.

The next section of this paper discusses the general context of education in sub-Saharan Africa, with attention to problems relating to the availability and use of resources. This discussion is followed by a brief presentation of USAID's overall strategy as formulated under the Development Fund for Africa (DFA). The third section describes the application of NPA to the education sector, including a more precise examination of the budgetary implications of this type of assistance. The fourth section presents four case examples of how NPA programs have affected the availability and management of resources for education. The final section presents some preliminary observations about the implementation of NPA programs in education and their impact on education finance.

2. The Context

In the period immediately following independence in the early 1960s, African governments made a concerted effort to expand formal education by increasing the allocation of public resources to education. The educational accomplishments of the first 15 to 20 years of independence were astounding. However, more recently, further development of education in most of Africa has been hampered by persistently high population and low economic growth rates. In the last decade, growth in enrollment in African school systems has slowed dramatically. In absolute terms for much of Africa, the numbers of additional students accommodated by formal school systems has declined as funds for expansion dried up. Meanwhile, growing populations continue to create pressure for increased access to primary education.

While attempting to shoulder the burden of continuous expansion during the 1980s, African countries were subject to three types of external shock: export prices of major commodities fell, international flows of capital decreased substantially, and real interest rates rose dramatically. The economic effects of these shocks drastically constrained governments' capacity to finance non-salary inputs to education (e.g., instructional materials, supervision and pedagogical support, communications, in-service training, and staff development). Primary education, lacking a politically vocal constituency, suffered most from this reduced financing. What minimal levels of unit non-salary expenditures did exist were consumed by growing salary budgets as teachers were hired for expanding school systems. These factors, along with the relatively high rates of inflation in most of Africa, resulted in reduced real per student expenditure, especially for material inputs. As could be expected, educational quality in Africa has declined severely under these constraints.

The demographic and economic impacts on educational quality and access have been exacerbated by poor management of the limited resources available for education. Mismanagement of education systems characteristically includes:

- Oversubsidization of higher levels of education at the expense of the primary sub-sector;
- Large salary budgets with little or no provision of operating expenses; and
- Overstaffing in administration or secondary and tertiary education, concomitant with an undersupply of primary teachers.

In addition, administrative inefficiencies are evident in the overcentralization of authority, lack of rational planning and budgeting, insufficient systems for monitoring expenditures and evaluating programs, and inadequate collection and use of information for decision-making. As a consequence, the few resources that have been recently available for education in Africa are being squandered through poor management and inadequate administrative capacity.

3. USAID's Solution

NON-PROJECT ASSISTANCE UNDER THE DEVELOPMENT FUND FOR AFRICA

In 1987 the U.S. Congress decided to provide a new assistance instrument to USAID, called the Development Fund for Africa (DFA). The DFA represented a compact between the Congress and the Agency on an approach to development in Africa. In developing programs to implement the DFA, USAID adopted a strategy that includes five management principles intended to guide managers in budgeting, designing, and implementing projects and programs. These include:

- ***Focus and Concentration***—to focus on those countries where economic and political reform provides a context for development;
- ***Systems Change***—to focus on support for broad, systemic changes of policy, institutions, and political processes;
- ***A Multilevel Approach***—to work at all levels and with all actors: national and local governments, public and private firms, and non-governmental agencies;
- ***Donor Coordination***—to coordinate with other donors on support for policy reform, to assure sufficient financing, and to increase the quality of assistance with more consistent modalities of reform financing; and
- ***Sustainability***—to focus on lasting, sustainable change by emphasizing the development of institutions, procedures, and staff to plan and manage reform. In the education sector this means not just building schools, training teachers, and purchasing inputs, but developing the institutions, procedures, and administrative capacity for planning and managing expansion and improvement of an education system.

In support of these principles, NPA has progressively been pursued as the modality of choice. NPA provides a mechanism through which USAID can leverage policy, institutional, and systemic changes by providing conditioned budgetary support. General balance of payments support is disbursed in predetermined tranches following government compliance with mutually agreed conditionality. How NPA is manifested in the education sector is examined below.

NON-PROJECT ASSISTANCE IN THE EDUCATION SECTOR

The design of the education programs implemented since the creation of the DFA has been governed by prior experience with education projects and new thinking about how to enhance government ownership of the changes in the education system while maximizing the potential for the sustainability of those changes. In eight of the eleven African countries where USAID has education programs, support to basic education is in the form of NPA.

NPA programs are developed in support of a government policy commitment to reform basic education. They are usually designed on the basis of a prior sector analysis. They are distinguished by a budgetary support component in which external donor funding is directed into the government budget. The grounding premise is that an education ministry's access to additional funds, as part of the government budget, requires the preparation and management of a rational sectoral budget in adherence to government public accounting procedures. Moreover, performance criteria delineated in the government-donor agreement require education ministries to develop procedures for strategic planning, to undertake rational budgeting on the basis of planned activities, and to monitor use of resources in the sector according to improved budgetary norms.

Of the $360 million of USAID funds currently obligated to education programs in Africa, $258 million is in the form of NPA (see Table 1 below). However, all of these NPA grants are accompanied by traditional project assistance in varying proportions. These companion projects usually consist of technical assistance designed to help education ministries better manage the additional resources and to implement other technically specific elements of sectoral reform. They also can contain support to the USAID field missions for managing the education program.

Table 1: Education NPA Programs in Sub-Saharan Africa

Country	Amount ($US) NPA	PA	Dates Opening	Closing
Benin	50.0	7.5	1991	1996
Ghana	32.0	3.0	1990	1995
Guinea	22.3	5.7	1990	1995
Lesotho	18.6	6.4	1991	1997
Malawi	14.0	6.0	1991	1996
Mali	3.0	17.0	1989	1995
Namibia*	35.0	0.5	1991	1996
Uganda	83.0	25.0	1992	2002
Total	**257.9**	**71.1**		

*In addition, the Government of Namibia has directly procured technical services from a U.S. institution in the amount of $15 million over five years.

The structural adjustment programs undertaken in the late 1980s helped to stabilize African economies, establish the framework for renewed development of formal education, and set the stage for redefining the direction of that development. With coordinated donor support, education systems in Africa are entering their own period of adjustment. This adjustment includes:

- Consolidation of resources to establish minimal levels of quality schooling;
- Control of expansion to regulate the capacity of the system to finance that minimum standard of quality;
- Development of rational decentralized planning and more realistic budgets that can be used to leverage an increased share of government spending; and
- Improvements in administrative systems that should lead to better management of resources within the sector. USAID's NPA programs in education are designed to support these kinds of sectoral adjustments.

In keeping with the management principles of the DFA, all of the education NPA programs developed in sub-Saharan Africa have centered broadly on systemic changes that can lead to sustainable reforms. The objective of these programs is increased, equitable access to better quality basic schooling. To reach this goal, determining the areas of educational reform that will be addressed and which reforms will be tied to the conditions for financial disbursement is based on the specific pattern of conditions and contexts in each country.

BUDGET-SPECIFIC ASPECTS OF NON-PROJECT ASSISTANCE

All of USAID's NPA programs are designed to assist governments with a short-term infusion of resources in support of government educational reform programs. While USAID funds are disbursed usually as general balance of payments support, depending on the country context, several modalities for fund transfer exist, such as:

- Debt repayment whereby USAID funds are applied to U.S. bilateral and multilateral debt (e.g., Guinea);
- Sale of foreign exchange through the auction system to generate local currency to supplement treasury resources (e.g., Benin, Malawi, Mali, Namibia, and Uganda); and
- Sale of foreign exchange to generate local currency, which is then earmarked for education and placed in a special account for the ministry of education (e.g., Ghana and Lesotho).

The quid pro quo of USAID assistance in its NPA programs is government implementation of sectoral reforms. Helping to establish a sustainable financial base for primary education is key to educational reform in many sub-Saharan countries. To that end, NPA grants are generally designed to support the development of policies that increase total resources for the sector, improve the intrasectoral allocation of existing resources, and foster more efficient use of resources. Typical finance and budgetary reform policies might include:

- Increasing government budget allocations for education overall;
- Shifting education budgetary resources towards pri-

mary education and away from post-secondary levels of education and from excessive room, board, and pocket money subsidies for students;

- Improving the input mix, such as increasing the budget lines for pedagogical materials or other recurrent non-salary items, perhaps at the expense of administration and personnel expenditures;

- Allocating a greater share of the education finance burden for higher levels of education to private sources; and

- Targeting increased resources and incentives for children, especially girls, in rural, poor, and otherwise disadvantaged areas.

Implementation of desired reform policies is buttressed in the USAID-government agreement through a performance contract mechanism. USAID disburses the funds when the government fulfills specified conditions associated with overall sectoral reform goals. The eight NPA education programs include conditions relating to budgetary allocations and expenditures that are summarized in Table 2. Note that these programs include other conditions that are not discussed in this context.

Table 2: Budget-Related Conditionality in Education NPA Programs

Country	Budget-Related Conditions
Benin	Maintenance of the existing level of primary education's share of education budget and expenditures.
	Annual increase in primary non-salary expenditures as a function of mutually agreed reform activities.
Ghana	Maintenance of the 1989 level of primary education's share of education budget and expenditures.
	Increase the percentage of the recurrent education budget for materials to 6 percent.
Guinea	Increase education's share of overall recurrent budget to 21 percent over three years.
	Increase primary education's share of sectoral expenditures to 34 percent.
	Increase the percentage of education expenditures on non-salary items to 18 percent.
	Increase primary unit non-salary expenditure to GNF 2,800.
Lesotho	54 percent real increase in education budget allocation in the first year; 4 percent in subsequent years.
	70 percent of annual increase to go to primary education.
Malawi	Increase education's share of overall budget to 16.5 percent over three years.
	4 percentage point increase each year in primary's share of education budget.
Mali	Maintain education's share of overall recurrent budget at 25 percent.
	Increase primary's share of education budget to 42 percent.
	Increase the percentage of the recurrent education budget for materials to 9 percent.
	Maintain higher education's share of education budget at no more than 19 percent, while reducing scholarships by 10 percent, then 5 percent.
Namibia	Budget and make available sufficient resources to cover the costs of implementing the reform program.
Uganda	Improve the terms and conditions of teacher employment.
	Establish an independent budget line and program funds (equivalent of US$ 300,000) for the recurrent costs of awarding competitive incentive grants to eligible schools.
	Program funds for the purchase of textbooks at the ratio of one full set for every three primary students.

While most programs include conditionality that specifies exact targets, some require a general indication that adequate financing be available for implementing the reform program. This distinction is most evident in comparing the more recently designed programs in Namibia, Uganda, and Benin, to those designed earlier, where conditionality requires adequate financing for reform activities without setting exact targets. What constitutes adequate financing is established in an annual letter of intent in which the government indicates the specific activities it intends to implement and the resources it is budgeting for them. This approach can be explained by 1) USAID intervention at an earlier stage of the reform process, when exact components and targets remain undefined (this could also explain why these programs establish tranche conditions in subsequent years by amending the program agreement), and by 2) USAID's desire to have greater flexibility by setting annual targets rather than attempting to predict the pace of reform at the design stage.

It is important to note that while USAID usually has no direct expectation of tracking its NPA funds to specific activities in the education sector, it does expect that ministry of education accounting procedures will conform to acceptable standards and procedures.[1] In some countries receiving NPA assistance where those accounting practices fall short of the desired norm, the focus of the companion technical assistance package is on helping the ministry of education establish efficient budgeting and financing systems as well as policies that adhere to the principles of accountability and transparency.

4. Early Signs of Impact: Four Case Examples

After a decade of stagnation, African governments are in a period of adjustment that should lead to improved economic performance and better public sector resource management. However, during this transitional period, substantial external financing is required to bridge deficits in balance of payments and current accounts. Primary education systems in Africa have been suffering from a persistent lack of recurrent budget financing, with non-salary items such as instructional materials and professional support being the hardest hit.[2] By providing balance of payments support, USAID is helping to alleviate the budgetary constraints that have made it difficult for governments to allocate sufficient resources to sustain expansion and improvement in primary education.

The impact of USAID budgetary support for education is primarily in terms of absolute and relative increases in expenditures on basic education, and in the form of reforms leading to more rational planning and more efficient and transparent resource management. Four specific examples of the nature, structure, and impact of budgetary support in the education sector are explored below.

BENIN

Background

In 1991, when USAID designed the Children's Learning and Equity Foundations (CLEF) program, Benin was successfully emerging from an economic and financial crisis. Benin's structural adjustment program was progressively restoring financial equilibrium, and balance of payment and fiscal deficits were projected to decline. However, prior accumulation of domestic and external payments arrears and inadequate tax administration severely constrained the government's capacity to assure financing of social infrastructure.[3]

The structural adjustment program had been providing direct assistance to improve the collection of tax revenues, which would permit a balancing of the recurrent non-debt expenditure budget. While the overall deficit had been projected to decrease significantly on a commitments basis, the need to reduce both internal and external arrears would keep the deficit higher on a cash basis. The slow process of reestablishing equilibrium in overall government finances meant that external support would continue to be required to finance crucial sectoral reform programs and improve the quality and coverage of essential public services.

In the education sector, the total budget has been as high as 40 percent of the national budget, and never less than 27 percent since 1975. Primary education's share of the education sector budget has never been below 35 percent, and has gone as high as 50 percent. However, as was true for overall government spending, expenditures on education had been largely on salaries and pensions. The largest non-salary item traditionally consisted of scholarships for higher levels of education. Recurrent provision of operating expenses represented the smallest share of expenditures, with textbooks and other teaching materials making up a minuscule portion of the operating expense category.

In Benin, donors could not argue for the allocation of a greater share of the government's budget to education, nor for primary education to receive a larger proportion of the education sector's budget. This situation arose during the 1970s when the Kérékou government gave priority to mass education. The education system expanded rapidly (enrollment rates nearly doubled), and large numbers of teachers were hired at the primary and secondary levels. The wage bill of the sector increased substantially without a decrease in the scholarship and support bill for the university system. Consequently, although education received a large share of the government budget in relation to other sectors, there was little room for the absolute increases in investments and operating expenditures that were needed to improve the quality of the system. If the government was to successfully implement its educational reform policy, it would have to deal with the following financial constraints:

- In absolute terms more financing would need to flow to the primary education subsector on a sustained basis. At the same time, the overall fiscal deficit would need to be reduced, even while the government was undergoing an austerity program.

- Within the primary education sub-sector, relatively greater resources would need to be made available for financing recurrent costs and investments in materials, texts, and training.

- The cost of sector reform would be high, and the extraordinary budgetary costs associated with revitalizing the system during a period of austerity would need to be externally financed in the short run.

USAID's Strategy

One of USAID's strategies in Benin was to help alleviate these constraints and support the government-initiated sectoral reform intended to control further expansion of the formal system while improving quality.

In 1991, the CLEF program was designed to provide US $50 million in six annual tranches of general balance of payments support in conjunction with the overall structural adjustment program's attempts to close Benin's financing gap. Given the government's reform objectives, specific agreements were reached on the allocation and expenditure of resources in the education sector in 1992 and 1993 that would condition the disbursement of the first two tranches. In September 1992, the government and USAID agreed to conditions precedent to third tranche disbursement. The essential intent of the budget-related conditions in the CLEF agreement was that adequate resources be made available to implement planned reforms. In addition, the government of Benin agreed to allocate and expend resources in the education sector, so that each year:

- Primary education's share of the education budget would be equal to or greater than the previous year; and

- The percentage share of funds budgeted for and expended on primary education for all budget items other than salaries and pensions would increase each year.

The first tranche of US $10 million was disbursed in July 1992, following approval of the government budget by the national assembly. Second tranche disbursement was scheduled to follow the successful completion of an annual review of conditions after April 1993.

Impact

Reallocation of resources:

The impact of USAID's budgetary support within the context of an overall sectoral reform has been twofold. In response to conditionality, non-salary allocations and expenditures for primary education have increased. In addition, government procedures and practices in budget preparation and execution have been improved. Table 3 illustrates how allocations in the education sector changed between 1991 and 1993.

Overall, the recurrent education budget increased from FCFA 18.1 billion in 1991, to 19.3 billion in 1992, and 19.5 billion in 1993. This overall change includes an additional FCFA 300 million in personnel costs, 1.3 billion in operating expenses, and a decrease of 300 million in scholarships and other subsidies.[4]

Table 3: Benin—Education Allocations 1991, 1992, 1993

	1991	1992	1993
Education as % of govt. budget	35	37	36
Primary ed. as % of ed. budget	48	48	53
Personnel as % of ed. budget	83	79	79
Operating expenses as % of ed. budget2	8	8	
Pedagogical inputs as % of ed. budget1	3	3	
Primary unit expenditure (FCFA)	17,200	18,348	20,353
Primary unit non-salary expenditure (FCFA)	449	646	639

The additional non-salary resources that became available in the education sector under the implementation of the government's reform efforts and the CLEF program were used in 1992 primarily for equipping the central and regional administrative offices. In addition, the ministry has financed a first round of pedagogical inputs at the school level (including chalk, notebooks, and didactic materials). Between 1991 and 1992, non-salary allocations on supplies and other operating costs increased overall by 48 percent, then remained relatively constant into 1993. Allocation for pedagogical inputs increased by 35 percent, and held at that level in 1993.

Financial management:

In conjunction with the efforts to improve the resource mix in the education sector, the CLEF has been supporting measures to reform the management of those resources. Three areas in which financial management in the education ministry has improved are:

- Refining the education ministry's budget nomenclature to indicate allocations for the regional education administrative offices, add more precise non-salary line item categories, and move allocations previously categorized under common expenses to the education ministry's budget;

- Instituting a system for tracking expenditures by nature and level of education; and

- Developing internal auditing capacity.

The 1992 and 1993 budgets were drafted according to the improved nomenclature. Further refinements are still being pursued in the classification of education allocations (and expenditures), but the initial improvements greatly facilitated analysis of resource use and increased the transparency of the budget. Expenditure tracking and internal audits are covered by conditions agreed to for third tranche disbursement. As of 1993, the accounting of actual expenditures in the sector has proven difficult, underlining the need to improve systems for categorizing and tracking use of funds. Interventions to address these issues were planned for 1993.

Constraints

Implementation of the budgetary aspects of the CLEF program has so far encountered three main problems. These relate to the timeliness of the availability of resources, the education ministry's capacity to manage its finances, and the process of budget preparation.

In 1992, two factors contributed to a long delay in budget execution. First, the National Assembly took six months to approve the budget. Second, the Ministry of Finance delayed obligating funds due to the constraints imposed by its austerity program. When the Ministry of Education did finally have access to its resources (in the second half of the year), problems in its capacity to manage its budget became apparent. For example, procurement procedures were poorly applied and a system for recording and monitoring expenditures by categories did not exist. These problems derived from institutional weaknesses within the ministry—no clear lines of authority, no financial management unit separate from the cabinet—and from lack of trained personnel with experience in managing non-salary expenditures.

Regarding budget preparation, the Ministry of Education developed its 1993 budget in a highly centralized manner with no reference to standard planning and finance parameters. Under pressure to meet an Inernational Monetary Fund (IMF) deadline for presentation of the 1993 government budget, the Ministry of Education made minor adjustments to its 1992 budget to obtain figures for 1993 allocations.

To attempt to correct some of these problems, the CLEF program includes third tranche conditionalities that require the development and implementation of a decentralized planning and budget preparation process and an expenditure monitoring system. An international accounting and auditing firm will be called in to assess Ministry of Education and Ministry of Finance procedures for expenditure management. On the basis of that assessment, recommendations will be made for devising a more transparent tracking system.

GUINEA

Background

In 1990 USAID embarked on the five-year education program in Guinea in a co-financing arrangement with the World Bank's sectoral adjustment operation. USAID and the World Bank are providing three years of balance of payments support, equal to US $22.3 million and US $20 million respectively. Both of these external assistance packages were designed to support the Guinean government's reform initiatives within the education sector. The education reform is known as the "*Programme d'ajustement sectoriel d'éducation,*" or PASE.

The principal aim of the PASE is to improve the quality of education while realizing a large increase in access to basic schooling at the lowest possible cost. In effect, the cost of meeting the targets for expansion and improvement of education could only be borne through savings realized in readjusting the system. The principal adjustments involve shifting resources from higher to primary education, teacher redeployment, the introduction of multigrade and double shift classes, and the promulgation of low-cost, community-based construction techniques.

At the time of design, Guinea was entering its second structural adjustment agreement with the World Bank. Since 1986, the country had made significant progress in meeting the objectives of the economic reform program, which aimed to improve the current account and balance of payments deficits and establish a stable growth pattern for the economy. Despite successes in the first phase of adjustment, it was anticipated that during the second phase (1988-93), external public debt would continue to place a heavy burden on the treasury and the balance of payments. Guinea was also facing a large public sector financing gap for that period. Without external assistance, the needed reduction in the government's fiscal deficit was anticipated to place increasing pressure on the availability of funds for recurrent expenditure. Recurrent operating funds were also faced with constraints imposed by then recent civil service salary increases.[5]

The need for recurrent expenditure support in the education sector was acute. Education's share of the government budget was only 12.5 percent and primary education received only 30 percent of the Ministry of Education's budget. Non-salary allocations were at a bare minimum, averaging out to a primary education per student expenditure on school level inputs of roughly US$ 0.20. Savings could be realized through more efficient allocation and management of resources, but in absolute terms, government financing of basic education was insufficient, especially given reform objectives for increasing access to basic schooling. Interim external budgetary support was therefore arranged as a bridge until efficiency gains in the sector could be realized and, more importantly, until the effects of structural adjustment would permit the government to assume the increased financing burden for the sector. This link to the macro-economic adjustment program is the dominant trait of the PASE.

USAID's Strategy

USAID's support to the education reform program in Guinea, with the World Bank's sectoral adjustment credit, was designed to leverage the policy and structural changes needed in the education sector. Budgetary support intended to help achieve Guinean education sector objectives for improvements in the allocation and mobilization of resources, sector management, internal and external efficiency, and primary school access in rural areas. In addition, the *Ministère de la coopération française* had been providing and would continue to provide technical assistance and training for teacher training, statistics, and inspection.

This multi-donor education sectoral adjustment operation is tied to structural adjustment in two ways. First, the financing provided through the International Development Agency (IDA) credit and the USAID grant helps address Guinea's short-term balance of payments deficit. Second, the flow of resources to the education sector depends on the success of the macro-program in increasing the government's other sources of revenue (fuel tax and customs duties) and in decreasing its recurrent expenditure burden (reform and privatization of public enterprises and "cleaning" of the civil service payroll). In the long run, the ability of the government to sustain the increased levels of expenditures instigated by the PASE depends on the extent to which structural adjustment leads to medium-term improved growth and more efficient use of public funds.

The PASE provided two tranches totaling US$ 11.3 million and US$ 15.8 million in budgetary support in 1991 and 1992 respectively (USAID provided US$ 14.1 of the total, and IDA provided US$ 13.0). Budget-related conditionality for tranche release focused on the relative and absolute levels of education expenditure. Specifically, budget-related conditions stipulated that:

- Education's share of the government budget should incrementally increase from 14, to 17, to 21 percent within three years after the end of the PASE; and

- Expenditures amount to at least GNF 2,800 for teaching materials per primary pupil, and GNF 210,000 for operating expenditures per administrative staff, and the proportion of the education recurrent budget allocated to primary education be at least 34 percent and the material and operating expenditures be at least 17 percent.

Impact

Reallocation of resources:

In Guinea, the sectoral adjustment program has profoundly influenced the availability of resources in the education sector. In addition, the Ministry of Education has made some important improvements in planning activities, preparing budgets, and managing resources. It was through the development of the budget proposal and expenditure management capacities of the ministry, that the donors thought the indirectly externally financed increase in education expenditures would be sustainable.

In an education system plagued by severe under-financing of non-salary components, USAID and IDA-financed budgetary support has helped increase primary education's share of the sectoral budget from 30 percent to 36 percent, while tripling non-salary recurrent expenditures on pre-university education. Table 4 summarizes changes in education expenditures from 1990 to 1992.

Table 4: Guinea—Education Expenditures in 1990, 1991, 1992

	1990*	1991**	1992***
Education as % of gov't budget	14	25	25
Primary as % of ed. budget	30	35	36
Personnel as % of ed. budget	79	73	71
Operating expenses as % of ed. budget	7	26	28
Pedagogical inputs as % of ed. budget	4	7	17
Primary unit expenditure (GNF)	21,602	39,072	46,287
Primary unit non-salary expenditure (GNF)	992	8,637	10,646

*****Note that 1990 subsectoral expenditures are estimates, as no system was in place for disaggregating budget data by level of education. Numbers are based on the first three quarters of 1990.
******First three quarters of 1991 and fourth quarter of 1990.
*******First three quarters of 1992 and fourth quarter of 1991.

Monitoring of the first year of the PASE (1991) revealed that the Ministry of Eeducation managed to obtain a large increase in its budgetary provision and, in executing that provision, to exceed all of the expenditure targets defined by USAID and World Bank conditionality. The large increase in education's share of the overall recurrent budget is attributable to the tripling of operating expenditures between 1990 and 1991. However, the increase is magnified by the doubling of civil servant salaries that took place during 1991. While unit non-salary expenditures on primary education have grown dramatically, the use of the additional resources has focused primarily on administrative expenditures at the central and sub-regional levels or on physical improvements at the school level, e.g., building repairs, desks and cabinets for teachers, and desks for students. No systematic evaluation of the availability of school books or teaching materials has yet been undertaken.

Financial Management:

Progress in allocating resources to the education sector is partly attributable to the conditions imposed by the adjustment nature of the financing of the program. Essentially, donor insistence on this modality helped convince the ministry of the need to plan, budget, and monitor the use of its resources. The PASE has made some progress in enhancing the ministry's capacity to prepare its annual budget. However, the tendency remains to simply estimate budget requirements on the basis of the previous year's allocations and anticipated external financing. Yet education is reported to have the most detailed and rational budget of any ministry in Guinea. Under the PASE, the education sector budget nomenclature was enhanced to permit more detailed attribution of allocations and expenditures to precise categories. Although the monitoring of education sector spending at this stage is limited to a verification of the documentation of expenditures, education is the only sector capable of detailed reporting on line item expenditures.

Constraints

A recent evaluation raised some concern about the timeliness of the availability of resources and the lack of systems of control and accountability. Shortfalls in revenues and a commitment to IMF austerity measures prevented the Ministry of Finance from respecting the intended levels of expenditure in the education sector in both 1991 and 1992. During the first half of those two years, delegation of budget credits to decentralized offices was intentionally delayed by the government, which created long periods of inactivity in the education sector. When funds did become available in the latter part of the fiscal year, the prefectoral education directors were under pressure to obligate resources quickly. Limited institutional capacity in financial management, emphasis on acquisition of materials and equipment, inadequate systems of expenditure control and accountability, and pressure to meet expenditure targets run contrary to the objectives of institutionalized systems for improved resource management.

GHANA

Background

Through most of the 1980s, Ghana has been engaged in one of Africa's most stringent economic recovery programs. Reforms USAID took note of when it was considering an intervention in the education sector included many of the elements associated with the liberalization of the economy and the retrenchment of the state's role in economic management. Appropriate fiscal and monetary policies had begun to eliminate the fiscal deficit, reduce inflation, and reduce the current account deficit. Meanwhile, donor inflows helped to eliminate external payment arrears. Despite the earlier accomplishments of the adjustment program, in 1990 there remained many constraints to establishing sustained growth, increasing investment, and securing a positive balance of payments position. Many reforms were either not taken, were unsuccessful, or were not fully implemented. Additional action was called for to enhance the effectiveness and sustainability of the progress to date.[6]

By the end of the 1980s, Ghana had mobilized significant effort to improve allocations to the education sector. However, austerity imposed restrictions on government size and expenditures limited how fast the government could increase real spending on education. USAID proposed an intervention in the sector that would help increase real short-term spending and address policy and institutional constraints as a means to achieve levels of investment in education sooner than would otherwise be possible.

In the late 1980s, the Ghanaian government embarked on an education sector reform program aimed at changing the structure of its education system; improving its quality, efficiency, and relevance; increasing cost recovery and the cost effectiveness of resource use in the sector; and involving parents and communities in funding education. This reform effort was assisted by the first IDA education sectoral adjustment credit, which, with other donor support, contributed US $56 million to the sector. By 1990, progress in the implementation of the reform and the Ministry's demonstrated capacity to manage the additional resources led the World Bank to prepare its second sectoral adjustment credit of US $50 million. This phase of World Bank support focused on secondary and higher education.

USAID's Strategy

In complement to the government's efforts and the World Bank assistance, USAID's Primary Education Program (PREP) intended to address the persistent underlying weaknesses in the education system. The PREP was designed to focus on primary education through supporting the restructuring of institutional priorities and budgets, generating local currency to support the investment and recurrent needs of primary education, and providing ancillary support through projectized assistance. PREP would provide US $32 million in balance of payments support in five tranches conditioned on key policy and institutional reforms. The subsequently generated local currency would be channeled through the sectoral budget to support those reforms.

The earmarking of local currency was a characteristic of USAID's NPA program in Ghana, which makes it very different from the programs in Benin and Guinea. In the case of Ghana, a Ministry of Education special account was established. PREP dollars would be auctioned through the central bank and the generated cedis would be placed in that account for disbursement against prior agreed primary education reform activities. A project management unit was also established to manage, on the part of the Ministry of Education, all local currency generated by PREP disbursements and would be responsible for monitoring and accounting for expenditures.

Under the PREP, overall education sector allocations would be monitored to assure that the proportion of education recurrent allocations going to primary education were stabilized, primary education expenditures were consistent with allocations, and the proportion of expenditures on primary school materials were increased. Specifically, budget related conditionality in the PREP targets:

- Maintenance of at least 1989 levels of the percentage of Ministry of Education recurrent expenditures going to primary education; and
- Expenditure of at least six percent of Ministry of Education recurrent resources on primary education materials.

Impact

To date, two tranches of the PREP grant, totaling US $11 million, have been disbursed (the first in May 1991, and the second in July 1992). The local currency equivalents of the first two tranches have been used mostly to:[7]

- Purchase books and supplies (32 percent);
- Finance pre- and in-service teacher training (15 percent); and
- Launch equity-enhancing pilot activities (7 percent).

Under the first two tranches, the PREP procured for the Ministry of Education 1.75 million textbooks and teacher's guides. Of those, 684,076 (39 percent) had been distributed as of September 1992, and an additional 599,022 (34 percent) were planned to be distributed by the end of October 1992. Including PREP allocations in this category, the portion of the primary education budget available for textbooks reached 8 percent in 1991 and 1992, up from 3 percent in 1989. However, actual expenditure on textbooks in 1991 amounted to only 3 percent of total primary education expenditure.

The World Bank has also released two tranches of its second sectoral adjustment credit, equivalent to US $36 million. While PREP expenditures are managed and accounted for separately from the Ministry of Education budget, the IDA funds must flow from the treasury through the mechanism of the sectoral budget. The following table presents some indicators of how sectoral allocations and expenditures have evolved since 1990.

Table 5: Ghana—Education Expenditures 1989, 1990, 1991, 1992

	1989	1990	1991	1992*
Education as % of gov't budget	21	22	21	21
Primary as % of ed. budget	45	43	44	45
Textbooks as % of primary ed. budget**	1	3	3	8
Primary unit expenditure (cedi)	11,477	13,730	12,469	19,624

***** 1992 figures are based on budgeted amounts.
****** Including PREP textbook procurement

Expenditures in the education sector have stabilized under the government's reform program, both in terms of the overall share of government expenditures and primary education's portion of sectoral spending. Going back to the first World Bank sectoral adjustment credit, the government has performed successfully for six years in meeting education budget conditions related to inter- and intra-sectoral allocations, controlling the ministry's wage bill, reducing subsidies, and increasing expenditures on classroom inputs. In addition, cost recovery has successfully been introduced in the education sector through user fees for textbooks. Fees are collected in revolving funds that are set aside for replacement and updating of books.

The government has increased allocations for primary education materials, but has had problems fully expending the funds. Even in the case of the PREP, where 32 percent of the local currency generated from the first two tranches has been allocated for textbooks, of the available funds, 67 percent remained uncommitted and 88 percent undisbursed in September 1992. This indicates that government capacity to execute procurement procedures is as important a factor in blocking expenditures as the non-availability of resources.

Constraints

The earmarking and special account approach applied to education sector NPA in Ghana might appear to offer a solution to the problems faced by Guinea and Benin in obtaining resources from the Ministry of Finance. However, the low level of commitment and disbursement of those special account funds that were readily available indicates that institutional capacity in such areas as procurement, contracting, and managing logistics and distribution played an equally important role in determining timely availability of resources.

Earmarking education sector resources for specific sets of expenditures offers the advantage of protecting priority investments from spending cuts and budget reallocations. It also allows the development of the sector to proceed at a rate that might otherwise not be possible, given macroeconomic constraints. However, earmarking also delinks that set of education sector expenditures from the overall government allocation decision process, compromising the sustainability of the investments. In the case of "one-off" types of investments, this may be desirable, but not for regular recurrent operating expenditures.

MALAWI

Background

The Girls' Attainment in Basic Literacy and Education (GABLE) Project provides US $20 million to Malawi, $14 million in unspecified balance of payments support, and $6 million in projectized funds. At the time of design, the Malawian economy was experiencing renewed growth under the effects of three years of a well-implemented structural adjustment program. However, two problems persisted in the country's adjustment process. First, despite widely-approved macroeconomic reforms, the productive structure of the economy had not changed since the start of the 1980s. Macroeconomic improvement had largely been achieved through fiscal and monetary restraint, not expenditure switching. Second, fiscal targets were making it difficult for the government to increase expenditures in social sectors and to redress previous imbalances.[8]

In fact, in the education sector, government effort was severely constrained, as evidenced by low levels of spending in comparison to other countries in the region. However, in 1991, the government was willing to make new commitments to education. Evidence of new expenditure obligations included establishment of a textbook replenishment fund, a fund for the long-term costs associated with training 4,500 new teachers, and set-asides for restructuring the primary school leaving exam and revising the primary curriculum. In the 1991 Policy Framework Paper, the Malawian government defined its objective of increasing education's share of overall budgetary allocation from 11 to 15.5 percent over three years.

USAID's Strategy

In support of Malawi's Second 10-Year Education Plan (1985-95), USAID developed an NPA program designed to facilitate intended expenditure increases in support of the objective of increasing girls' access to and persistence in primary education. At the end of the 1980s, government recurrent allocations to education grew only slightly (from 11.4 to 12.1 percent from 1987 to 1991). In contrast, in the investment budget, education's share grew from 7 to 17 percent in the same time period.

However, these increases in sectoral expenditures were inadequate to meet the needs of the system. In 1991, the recurrent budget did not provide funds for educational materials or textbooks. A meager supply of materials was only procured at the district level through tuition fee funds. Furthermore, distortions existed in the intrasectoral allocation of resources. Tertiary education was drawing a disproportionate amount of recurrent expenditures, with nearly 18 percent going to the University of Malawi alone. As stated in its ten-year plan, the government gave high priority in the education sector to improving primary education. To respect that priority, the intended allocation of additional funds to the sector for expansion of the overcrowded primary schools and for investments in qualitative improvements would need to be supplemented by reallocation within the sector.

GABLE's NPA component would provide US $14 million in three annual tranches in support of the following financial objectives:

- Increase education's share of the total recurrent and investment budget from 13.5 percent in 1991 to 16.5 percent by 1993, and 18.5 percent by the end of the program in 1996; and

- Increase by four percentage points each year primary education's share of the total education budget.

GABLE is the only education NPA program in the USAID's Africa Bureau that targets increased expenditure levels in both the investment and recurrent budgets.

Impact

As of 1993, only the first tranche of US $4 million has been disbursed. The following changes in education sector allocations and expenditures were reported.

Table 6: Malawi—Education Expenditures 1991, 1992 (Millions of Malawi Kwachas)

	1990/91	1991/92	1992/93*
Total recurrent ed. budget	96.7	104.2	127.9
Total investment ed. budget	47.8	58.6	81.5
Total ed. as % of gov't	13.0	13.2	15.0
Primary as % of ed.	42.8	50.4	56.7
Salaries as % of primary recurrent	-	87.0	91.0

*1992/93 figures represent unofficial revised estimates.

As indicated in the table, the government has not only honored its commitment to provide additional resources for education, and primary education in particular, it has exceeded the GABLE conditionality targets. However, as the 1992/93 higher proportion going to salaries indicates, greater recurrent expenditures have primarily funded salary and wage increases. An important component of the education reform financed by increases in recurrent resources has been the waiver of tuition fees for all pupils in standards one and two, as well as for all non-repeating girls in any of the primary standards. Investment budget increases have provided needed funds for school construction and furniture, rehabilitation of district education offices, and purchases of textbooks, vehicles, and equipment.

Constraints

While additional resources have permitted acquisition of textbooks and other materials, inefficiencies persist in the management of procurement and the distribution of goods. In response to GABLE conditionality, the ministry began to introduce in 1993 reformed competitive bidding procedures for procurement and distribution of educational materials.

5. Preliminary Observations

USAID's experience with the NPA approach in education is not extensive. Its most mature programs—in Ghana and Mali—were entering their fourth year of operation in 1993. With one recent exception (Guinea), none of the USAID programs discussed above has been formally evaluated. Consequently, the preliminary observations and analysis presented below are more impressionistic than empirical. They reflect the dialogue and comments of program designers, field managers, and evaluators with NPA field experience who have raised questions, provided cautions, and clarified assumptions about the application of NPA to education.

The following discussion addresses some of the emerging issues and initial lessons learned about how the design and implementation of NPA affect a program's impact.

EFFICIENCY, QUALITY, AND EQUITY: WHAT CAN BUDGETARY CONDITIONS REALLY DO?

In the four case studies, available data show that the intended budgetary impacts of NPA in the education sector have been respected. In particular:

- Education's share of government allocations and expenditures has increased to or stabilized at desired levels;
- Primary education has received a greater proportion of education resources through new allocations and intra-sectoral reallocations; and
- Non-salary expenditures have increased.

This is good news, representing both the governments' commitment to educational reform and indicating that the NPA approach does influence the direction of, as well as support, fundamental policy change in the allocation of funds to levels of education and among budgetary line items.

Although the DFA mandates that its programs result in people-level impacts—such as increased primary school enrollments and student performance—its NPA programs in education are aimed at systemic policy and structural reform, rather than direct classroom level interventions generally more closely associated with student-level outcomes. While this discussion is beyond the scope of this paper, it should be noted that the budgetary conditions aimed at improving educational participation, performance, and equity, as currently configured in many of USAID's NPA programs, may not necessarily lead to the school-level impacts envisaged by program designers, particularly within the short-term.

Budgetary/financial conditions are particularly attractive to program designers because they are quantifiable, concise, and tangible. They also appear to capture a fundamental and prevalent assumption that there are threshold levels of expenditure that must be reached in order to effect quantitative and qualitative improvements in education. Budgetary conditions requiring both absolute and proportional increases in the resources going to education serve as proxy measures for improvement in the education system. There are no set "magic" figures, but cross-country comparisons establish some general rules-of-thumb for educational expenditure—a practice that may be as questionable as it is current. Not surprisingly, the various budgetary envelopes and expenditure levels that figure among the NPA performance conditions can mask or obfuscate the very goals of the educational reform—efficiency, quality, and equity—they purportedly support.

Efficiency is an underlying premise if not specific objective of all of USAID's NPA education programs. Investment in primary education is accepted as yielding the highest social rate of return to education, and certain policies (e.g., support of girls' education and in-service teacher training) are viewed and assessed within the efficiency paradigm, as is USAID's emphasis on planning and management information systems. However, the capacity of budgetary conditions to effect efficiency gains is limited. Conditionality can only direct the allocation of funds to areas or line items that are generally thought to improve efficiency or contribute to better student outcomes.[9]

The NPA financial conditions in many of USAID's education programs allow a great deal of latitude of expenditure. For example, quality issues are generally addressed by requiring the government to increase the percentage of its primary education budget going to non-salary recurrent expenditures. Across USAID's NPA programs, governments have successfully met this condition. However, proof of expenditure does not necessarily or immediately translate into quality improvements for a variety of reasons:

- The items purchased under this rubric may be of dubious pedagogical value, such as headmasters desks, clocks, etc. rather than instructional materials;
- The quality inputs are not effective in and of themselves, such as providing textbooks without training teachers in their use; or
- The pedagogical inputs are purchased but do not reach the classroom, and end up in warehouses, in school directors closets, or illicitly sold in the market place.

Furthermore, it is unclear whether the mandated increases in non-salary recurrent expenditures are sufficient to increase quality, as there is little guidance on optimum expenditure amounts, and little is known about the levels of private expenditure by parents. In Guinea, for example, the required increase for non-salary recurrent per-student expenditures was from US $0.20 to US $4.00, with little or no study of the mix of "ingredients" (and their costs) that could best boost classroom learning, beyond the donor assumption that the additional funds would primarily be spent on textbooks.[10]

USAID's stated goal of equity also suffers from assumptions not articulated or captured in its budgetary conditions. While other non-financial conditions may address equity considerations—such as increased educational opportunities for girls and/or rural children—few NPA programs feature budgetary conditions that underscore this concern. Again the condition of increasing non-salary recurrent expenditures serves as an example. None of the USAID NPA programs reviewed for this paper specify that particularly needy or disadvantaged regions or schools receive a disproportionate share of these expenditures, with the result that some countries have used a formula that increases per-student expenditures evenly across the board. Well-endowed schools receive the same increase as poor schools, regardless of their starting point.

Fortunately, as USAID's experience with NPA program design in education has increased, its understanding of performance conditions has become more sophisticated, which can eliminate the types of oversights cited above, and further strengthen the educational reform effort. Performance conditions should be clearer and more focused in order to provide better guidance and to eliminate misunderstanding between donors and government. In Benin and elsewhere, a "fundamental quality level" approach is being introduced and reflected in budgetary conditions, targeting a baseline resource level for all schools, with positive implications for both the effectiveness of school material inputs and the equitable distribution of resources. In order to establish the minimal level of school quality for learning to take place, governments must define the package of inputs and its cost—ranging from infrastructure and teacher training to materials and textbooks. Furthermore, they must identify the regions or schools that will receive the inputs, excluding those that have already attained the fundamental quality level.

Fund Transfer/Disbursement

As noted, USAID employs three methods of transfering budgetary support funds: direct repayment of debt, disbursement of funds to the central bank for general budgetary support, and supplementation of ministry of education budget through earmarked local currency counterpart funds. Each has its benefits and drawbacks from both a developmental and operational perspective.

Debt repayment satisfies USAID dollar tracking requirements, particularly in countries where counterpart fund management has proved problematic. U.S. Treasury funds are directly transferred to creditor institutions' accounts, essentially never leaving the transparent international banking system. However, this externalized—though secure—process contravenes a founding premise of NPA: that the recipient government introduce USAID funds into its national finance system in order that they be subject to the same public accounting procedures as internal funds and linked to responsible planning, disbursement, and accounting practices.

Furthermore, despite the obvious fungibility of funds used for direct debt repayment—the premise being that the alleviation of national public debt will liberate government money for use in the sector—it is unclear that funds marked for debt repayment will have the intended impact of leveraging desired government policy changes. Because the government is obliged to meet payment of multilateral debt (IMF and IDA) to continue receiving balance of payment support, it is arguable that USAID funds do not provide adequate incentive to convince the government to increase and/or reallocate resources for the education sector.[11] To date, this concern, however, appears to be unfounded. That the government of Guinea, whose grant agreement with USAID is founded on direct repayment of debt, has met the specified budgetary conditions, requiring increased primary education investment, should allay these reservations.

Transfer of funds to the national treasury is most consistent with the NPA philosophy. In addition, by "voluntarily" increasing non-earmarked allocations to the education sector, the government demonstrates its commitment to educational reform. A risk, however, is that if the government does not meet the budgetary conditions specified in the grant agreement, USAID will have incurred a significant loss of development funds. Given that in many of USAID's NPA programs the magnitude of a single tranche disbursement (between $5-10 million on average) exceeds the total amount often allocated to traditional projects, the size of the potential loss is substantial. This possibility is mitigated by predicating continued disbursement on performance.

An emerging issue of concern about both this method of disbursement and debt repayment is that USAID funds cannot be directly linked with positive (or negative) impacts on the educational system. While the developmental objectives of USAID's NPA programs are to support systemic and structural change in education systems, which will provide an appropriate context for eventual student-level impacts, the political objectives of the Agency understandably require that effects be plausibly attributed to USAID funds. The controversy centers on the word "plausible." As yet, there is no means of isolating the impact of USAID funds when 1) they are pooled with other donors' funds and added to a national treasury; (2) the recipient government is subject to performance conditions shared by multiple donors; and (3) the NPA approach focuses on policy-level changes, yet calls for "people-level" impacts in a relatively short timeframe. The challenge is to devise an evaluation methodology that can both capture the incremental process of educational reform and convincingly link it with USAID support.

The third method of fund disbursement for NPA programs does provide the means of tracking USAID funds to educational outputs, because funds are directly transferred to a ministry of education account and their use is earmarked for specific activities or purchases. However, the funds are managed by a special project management unit and are not integrated into the overall ministry budget, which may do little to increase ministerial capacity for overall planning and management of resources. In addition, accountability is ensured by contracting with an international accounting firm, which further marginalizes ministry involvement in fund management, as the observed tendency is for the ministry to relinquish tracking responsibility. There is, at base, little difference between this approach and the more traditional project approach, in which funds are under the control of groups outside the government. The trade-off is between assured auditability, on the one hand, and capacity building and integration, on the other.

Hostage to the Macroeconomic Context

NPA programs utilizing debt repayment and disbursement to national treasury modalities face the risk of falling prey to the policies, problems, and vagaries operating at the macroeconomic level. First, all of USAID's NPA programs are predicated on the expectation of macroeconomic growth and conformance to IMF structural adjustment criteria. Estimates of budgetary shortfalls needed to achieve desired performance levels are based on projections of economic growth, and have served to set the level of USAID NPA support (e.g., in Guinea, Uganda, and Benin). Should either growth projections or IMF requirements not be met, the country-specific NPA design becomes both inappropriate and inapplicable. Not surprisingly, this scenario has already occurred. Negotiations with the IMF and debt rescheduling have delayed and curtailed disbursement of treasury funds to the education ministry in Guinea, which has made it difficult for the government to comply to performance criteria. When funds have been provided to the education ministry, they have arrived months late, long after the beginning of the school year, when most books and supplies should be purchased. In Mali, lags in macroeconomic growth (among other things) prevented the government from reaching sectoral budgetary targets. This caused USAID to delay tranche disbursement and the World Bank to halt budgetary support. The links between macroeconomic stress and political trauma are well-known. The weak economic situation in Mali has been exacerbated by student unrest and violence in reaction to government cuts in subsidies and shifts in allocations to primary education (USAID and IDA performance conditions).

Lumpiness of the Reform Process

While USAID's programs focus on educational reform and improving the operational efficiency of education ministries, they also require timely and effective action by the ministry of finance charged with approving the education budget and liberating funds for use by the education sector. Reform and development of capacity at the ministry of finance may not have kept pace with the needs of the education sector. Bottlenecks at the ministry of finance level can take many forms: 1) prescribed education budget levels may not be approved; 2) budgets may be approved but funds not disbursed at the budgeted level or in a timely fashion; and/or 3) cumbersome disbursement procedures may create additional delays. These hurdles can upset a ministry's schedule of operations, and prevent it from completing activities in synchronization with annual USAID tranche reviews. The end result is generally a delay of tranche disbursements. An overarching element is that a ministry of finance may not feel the same urgency as a ministry of education, the intended beneficiary of the NPA sector grant.

In Ghana, the USAID program provides direct incentive to the Ministry of Finance and Economic Planning in the form of an operational support budget (for vehicles, secretarial assistance, supplies, etc.). However, there was some speculation that USAID's refusal to fund certain items resulted in this ministry's delaying decisions and cooperating less with the Ministry of Education.

Inability to Absorb External Funds

Given the above discussion, the reader may conclude that ministries of education suffer chronic funding shortages. Ironically, USAID's NPA experience shows that they are also unable to spend the money they receive in a timely fashion. The availability of resources for increased expenditures on non-salary components of the education sector's budget is in fact dependent on two constraints. The first relates to the government's overall capacity to allocate funds to the sector. The second concerns the capacity of the education ministry (and in some instances the finance ministry) to manage the procedures required to expend resources.

Allocative decisions at the central level are influenced by a variety of macroeconomic and political factors. Political factors center around the importance accorded education relative to other sectors. The macroeconomic parameters concern the government's overall fiscal health. NPA addresses both aspects of this set of constraints by directly providing balance of payments support in return for government commitment to education as a priority.

Regarding an education ministry's capacity to spend additional resources that have been programmed, issues such as procurement procedures, accounting practices, control and distribution of materials, etc., become paramount. USAID NPA programs in education attempt to address these kinds of constraints through technical assistance.

An important lesson is that desired levels of expenditure in the education sector often cannot be achieved simply through addressing the first set of constraints without also addressing the second. Benin, Guinea, and Ghana are examples of countries where poor financial management capacity impedes the use of available resources. In Ghana, even with earmarked funds in a special account, the purchase of textbooks has been slow due to complex and bureaucratic procurement procedures. In Guinea, even when USAID made targeted resources available for the school construction component of the program, poor decentralized accounting of expenditures hampered disbursement of funds.[12] In Benin, the Ministry of Education's lack of knowledge of procedures for accessing funds and procuring supplies delayed the use of the additional non-salary allocations that were available in the 1992 budget.

Donors themselves have contributed to these problems: the timing of tranche reviews are often not coordinated with the procurement schedules of ministries of education, which depend on the timely release of funds to meet performance and procurement objectives.

Proof of Performance

As USAID's experience with NPA program design has grown, it has crafted more precise and comprehensive performance conditions vis a vis budgetary and financial issues. For example, proof of expenditure is a defining requirement. Two problems, however, arise. First, there is some debate about what constitutes proper proof of expenditure and whether it is sufficient indication that funds have been put to their intended use. Second, the issue of timing interacts negatively with submitting appropriate documentation. Ideally, and particularly for auditing and evaluation purposes, proof of actual purchase and delivery of goods to end-user beneficiaries is the logical objective. This is especially true in a context where there is a traditionally large discrepancy between budgeted amounts and actual expenditures, and of course, where funds can evaporate on the long bureaucratic journey to the classroom. Unfortunately, the return of supporting documents to the central accounting office for presentation at the tranche review appears to be an equally arduous trip. Long delays often impede the tranche review process and add to disbursement delays. In Guinea, USAID authorized the submission of finance ministry orders to pay (*ordonnancements*) as a proxy, but a recent evaluation found that this fell short of proof that the intended beneficiaries had received the goods.

Simultaneity of Reform Implementation and Capacity Building

NPA places a heavy burden of financial (and statistical) reporting on the ministry of education. At the same time, it purports to aim at capacity building. The dilemma is obvious: can an institution that has been judged to lack planning, budgeting, and accounting skills be expected to prepare acceptable financial documentation proving compliance with performance criteria? The answer is not easily. In some NPA countries, the USAID program design recognized the ministries' lack of capacity and provided some technical assistance to aid and train the government in financial reporting. Emerging evidence from the field shows that USAID was partly correct: technical assistance is essential, but generally has not been provided in sufficient quantity to accomplish both report preparation and training to increase institutional capacity. Not surprisingly, the immediate exigencies of report preparation for tranche review and fund disbursement purposes has taken precedence over training. Indeed, in the case of Ghana, capacity building has been so sacrificed to reporting and auditing requirements that an outside accounting firm has been assigned the task. While it was originally hoped that the NPA approach would lessen the need for technical assistance, field experience has shown that NPA is management intensive and capacity building is at the heart of educational reform.

Sustainability: A Shell Game?

The guiding principle of the NPA approach is that the benefits of educational reform should be sustainable. To advance that goal, USAID has provided mostly non-earmarked budgetary support to the government or its ministry of education on the assumption that once external moneys enter the budgeting process and allocation to primary education is increased, the government and its education ministry will internalize new spending norms, and future retrenchment will prove difficult because of raised expectations. At present, there is no proof of this logic. It is clear that governments have complied or attempted to comply in good faith with the budgetary and allocative standards specified in the performance conditionalities, and in many cases have reorganized both personnel and procedures at the ministry of education in order to facilitate reform implementation and expenditure tracking. Whether institutional capacity to efficiently plan and manage additional resources has increased remains unanswered. The Guinea evaluation implies that efforts at capacity building have fallen short of need and expectation. Nonetheless, it does appear that the NPA approach is more likely to have a system-wide impact than enclave-type projects. NPA programs are succeeding in reversing the "projectization" of the operation of education sectors that is characteristic of donor financing of discreet projects that simply appear as single lines in a government's investment budget.

As noted, virtually all USAID NPA countries have increased the amount and proportion of resources going to primary education and non-salary recurrent expenditures. Despite these positive signs, the obvious question is whether these percentages can be maintained and sustained without donor support in view of burgeoning populations and the spiraling demand for education, on the one hand, and uneven macroeconomic performance, on the other. Without significant economic growth, governments are unlikely to be able to assume full financial responsibility for both expanding and improving the provision of primary education. Furthermore, while USAID has predicated its programs on reform movements initiated by the governments themselves, it is not necessarily clear that the same policy priorities will be preserved if donor funding were to decrease or cease. For example, the Malawi government indicated that as long as donor funding continues it will provide tuition-free education for girls, but would consider dropping this practice if aid flows are not sufficient.

It cannot be ignored that educational reforms in the NPA countries—as are projects—are significantly financed by the infusion of external funds. From a historical perspective, the level of funding far surpasses previous USAID investment in education in Africa, and it is uncertain how long such high levels of funding will continue. The student of development assistance must ask whether educational reform programs and their initiatives supported through NPA are any more likely to continue in future years without foreign assistance than were traditional educational projects of former decades.

Conclusion

Implementation of NPA programs for education in Africa is still in its infancy. Only one program evaluation has taken place, and no comprehensive cross-national (or cross-sectoral) comparison studies has been prepared. The above presentation and analysis is constrained by lack of data on many programs. Often even well-documented programs suffer from insufficient or uninterpretable financial data. Most importantly, an evaluative framework has not been developed to capture the effects of NPA programs on educational reform, as well as to satisfy USAID requirements for impact assessment. USAID's Office of Sustainable Development is currently developing an assessment methodology and a roster of process-level indicators of educational reform to evaluate intermediate progress. Preliminary data collection and cross-country comparisons are underway. The above paper represents one of the initial efforts at examining an aspect of the NPA approach.

Notes

[1]In cases where earmarked accounts are used, USAID requires tracking local currency generated from NPA tranches.

[2]While most NPA programs focus on increased non-salary expenditures, in some cases where teachers' salary levels have deteriorated severely, USAID is supporting salary increases (Uganda and Lesotho).

[3]USAID, Africa Bureau, Program Assistance Approval Document, Benin: Children's Learning and Equity Foundations, September, 1991.

[4]Personnel costs increased by FCFA 400 million from 1991 to 1992, then decreased by about FCFA 100 million in 1993.

[5]USAID/Guinea, Program Assistance Approval Document, Guinea Education Sector Reform, May, 1990.

[6]USAID/Ghana, Program Assistance Approval Document, Ghana Primary Education Program, May, 1990.

[7]Additional expenditures cover operation of the project management unit, distribution and logistics costs, management and supervision costs, and USAID administrative costs.

[8]USAID/Malawi, Program Assistance Approval Document, Girl's Attainment in Basic Literacy and Education Program, Malawi, September 1991.

[9]Spending levels and line items are often debated between governments and donors, and among donors themselves, with the result that "efficiency" is often sacrificed. For example, the government of Malawi rejected as "unaesthetic" the USAID NPA program condition requiring the development and adherence to low-cost school construction norms.

[10]In fact, in Guinea non-salary unit expenditures have reached US $10 per student, while there remains little evidence that the qualitative inputs necessary for the reform have been purchased. This demonstrates how unrealistic an arbitrary target figure can be.

[11]And, theoretically as no USAID program is so structured, in the case of debt repayment to private sector creditors, the assumption that the government intends to service this debt may prove fallacious.

[12]USAID/Guinea agreed to allocate PL480 counterpart funds (generated from the sale of U.S. rice) to meet government investment budget obligations for school construction.